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Chairman: Mr. Ashe ..... (Antigua and Barbuda)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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The meeting was called to order at 10.05 a.m.

Agenda item 126: Improving the financial situation of the United Nations (*continued*)

Statement by the Controller on the current financial situation of the United Nations

1. **Mr. Sach** (Controller) said that his statement would focus on four main indicators of the Organization's financial health: assessments issued, unpaid assessed contributions, cash available and debt owed to Member States. As at 31 December 2005, the status of those indicators had been generally positive, but not uniformly so.

2. Regarding the regular budget, both assessments and payments had been higher in 2005 than in 2004, by $345 million and $284 million, respectively, while unpaid assessed contributions, at $333 million, had been lower, by $24 million. He was pleased to report that 140 Member States had paid their regular budget assessments in full by the end of 2005; that was 16 more than in 2004 and the highest figure for several years. He thanked those States for their practical support for the Organization's work and urged other Member States to follow their example. Of the $333 million outstanding as at 31 December 2005, 90 per cent had been owed by just three Member States and over two thirds by the United States of America alone.

3. A total of 85 Member States had paid their regular budget assessments in full by 30 April 2006, compared to 72 in 2005; a further four Member States had paid in full during May. However, the financial position of the regular budget was weaker. Payments received by 30 April 2006 had been over $300 million lower and unpaid assessed contributions over $200 million higher than on the same date in 2005. Of the $1.2 billion outstanding as at 30 April 2006, 94 per cent had been owed by seven countries and 85 per cent by just three countries. The final outcome for 2006 would depend in large measure on the action taken by those Member States.

4. If payments received during the remainder of 2006 followed past patterns, there would be a modest improvement in cash resources available for the regular budget by year end. However, that could not be taken for granted. It had been necessary to draw on reserves in October and November 2005 and, on 30 April 2006, the cash balance of the General Fund, to which assessed contributions were paid, had been almost $100 million lower than on the same date a year earlier.

5. A number of factors made it difficult to draw a comparison between the financial situation of peacekeeping operations and those of the regular budget and the international tribunals: demand for peacekeeping activities was unpredictable; the peacekeeping financial period ran from 1 July to 30 June, rather than from 1 January to 31 December; assessments were issued separately for each operation; and, since assessments could be issued only for the mandate period approved by the Security Council for each mission, they were issued periodically throughout the year.

6. The amount outstanding for peacekeeping operations at the end of 2005 had been over $2.9 billion, compared with almost $2.6 billion outstanding at the end of 2004. However, almost $1.2 billion of the total outstanding as at 31 December 2005 had related to assessments issued on 16 December 2005. Six Member States had accounted for almost three quarters of the amount outstanding, while two Member States had accounted for over half. The financial position of peacekeeping operations as at 30 April 2005 showed some improvement. New assessments of a little over $1 billion had been issued by that date, including assessments of $488 million issued on 13 April 2006. Contributions received had exceeded $2.3 billion, reducing the amount outstanding to $1.6 billion.

7. Although cash available for peacekeeping at the end of 2005 had been over $1.6 billion, that amount had been divided among the separate accounts maintained for each peacekeeping operation. The Organization was precluded from borrowing from the accounts of active peacekeeping missions, and the resources of the Peacekeeping Reserve Fund could be used only for new operations or for the expansion of existing ones, leaving closed mission cash as the only source for cross-borrowing. As at 31 December 2005, $327 million had been available in accounts of closed missions.

8. It was expected that, at the end of 2006, total cash available for peacekeeping would amount to almost $1.4 billion, including $306 million in closed mission cash. Of that $306 million, $233 million related to amounts to be paid for outstanding liabilities, such as troop and equipment payments and credits to be returned to Member States. Consequently, only $73

million would be available for cross-borrowing. In 2005, cross-borrowing had been required for three active missions and for the International Criminal Tribunal for Rwanda. Thus far in 2006, cross-borrowing had been needed for two active missions and was expected to be required for a third.

9. In October 2005, it had been expected that the Organization would owe $779 million to Member States for troops and contingent-owned equipment by the end of 2005. The actual amount owed had been $695 million. That reflected lower than anticipated new obligations for contingent-owned equipment, due to slower than projected deployments in some missions and higher than estimated payments to troop and equipment contributors. Based on current trends, debt owed to Member States was expected to be reduced to $615 million by the end of 2006, with higher obligations due to full deployment of troops in two new missions and the deployment of additional troops to a third being offset by higher payments to troop and equipment contributors. Of course, the level of payments would depend on Member States meeting their financial obligations to the United Nations.

10. The financial position of the international tribunals for the former Yugoslavia and Rwanda had continued to improve in 2005. After jumping to $88 million at the end of 2003, unpaid assessments for the two tribunals had been reduced to $30 million at the end of 2004 and $25 million at the end of 2005. Three quarters of the $25 million outstanding had been owed by just five Member States. As at 31 December 2005, 93 countries had paid their assessed contributions for both tribunals in full, compared with 88 as at 31 December 2004. However, no fewer than 98 Member States had had amounts outstanding for one or both tribunals at the end of 2005.

11. The situation in 2006 showed a modest improvement. Forty-nine Member States had paid their assessed contributions to both tribunals in full by 30 April 2006, six more than by the same date in 2005. Although the total amount paid was somewhat lower than in 2005, the amount outstanding was also lower. If those trends continued, the tribunals should end the year with positive cash balances.

12. The General Assembly had authorized assessments for 2002-2003, 2005 and 2006 for preparatory activities for the capital master plan totalling $51.5 million. By 30 April 2006, total payments of $41.8 million had been received. In early May 2006, the Assembly had authorized an additional assessment of $23.5 million and a commitment authority of $77 million. Notifications in respect of the new assessment would be issued shortly.

13. There were some encouraging signs of progress in the overall financial situation of the United Nations, although the situation with respect to the regular budget was less heartening. Ultimately, the financial health of the Organization depended on Member States meeting their financial obligations in full and on time.

14. **The Chairman** said that the Controller's statement would be issued as an addendum to the Secretary-General's report on improving the financial situation of the United Nations, under the symbol A/60/427/Add.1.

Agenda item 129: Human resources management (*continued*)

Agenda item 136: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*)

Staffing of field missions, including the use of 300- and 100-series appointments (A/60/698 and Corr.1 and A/60/851)

15. **Ms. Maxfield** (Department of Peacekeeping Operations), introducing the report of the Secretary-General on staffing of field missions, including the use of 300- and 100-series appointments (A/60/698 and Corr.1), said that during the reporting period — July 2005 to June 2006 — 482 international staff members would reach the limit of four years' service under 300-series appointments of limited duration. Those staff members had been, or were being, considered for reappointment under a 100-series contract, against the criteria set out in section VIII, paragraph 16, of General Assembly resolution 59/296, namely, that their functions had been reviewed and found necessary and that their performance had been confirmed as fully satisfactory. The reviews of 424 eligible staff members had been completed; 58 reviews were still under way. Of the 424 staff members reviewed, 21 had not been recommended for reappointment as they did not meet the criteria; more detailed information was provided in paragraph 7 of the report.

16. The report reiterated the need for human resources systems and contractual arrangements that enabled the Organization to attract, recruit, develop and retain highly qualified, skilled and experienced staff capable of managing complex, multidimensional peace operations and to compensate those staff adequately for the dangerous and difficult conditions in which they served.

17. The Secretary-General's comprehensive management reform proposals set out in document A/60/692, "Investing in the United Nations: for a stronger Organization worldwide", included proposals for harmonizing the conditions of service of staff serving in the field and streamlining contractual arrangements. The Secretary-General would elaborate on those proposals in the autumn, pursuant to General Assembly resolution 60/260. In addition, reports on the reform of the Field Service category and on the conditions of service of staff serving in the field had been requested by the Assembly in its resolutions 58/257 and 59/266, respectively. In order to enable the Assembly to consider those interrelated human resources issues in an integrated manner, they would be addressed in the Secretary-General's overall reform report and in a separate report on the Field Service category. Both reports would be issued for consideration by the Assembly at its sixty-first session, following the staff-management consultations scheduled for June 2006. The timing of those consultations might not allow the Assembly to reach a decision on the contractual arrangements of mission staff before 30 June 2006. Moreover, the International Civil Service Commission (ICSC) would revert to the issue of staffing of field missions at its sixty-third session in July 2006.

18. Pending the outcome of the Commission's deliberations and the consideration of the various reports of the Secretary-General, the Committee was requested to defer consideration of the recommendation contained in document A/60/698, namely, that the General Assembly should endorse the use of 100-series contracts for the appointment of staff in missions of one year or more and, in the interim, to agree to the continuation of the current practice regarding the reappointment of staff serving under 300-series contracts.

19. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions (ACABQ)), introducing the related report of ACABQ (A/60/851), said that the Advisory Committee recommended approval of the Secretariat's request.

20. **Mr. Drofenik** (Austria), speaking on behalf of the European Union, the acceding countries Bulgaria and Romania; the candidate country the former Yugoslav Republic of Macedonia; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Liechtenstein and Ukraine, said that, the European Union endorsed the Advisory Committee's recommendation regarding the request by the Secretariat. The Secretary-General had affirmed in document A/60/692 that addressing the complex issue of the staffing of field missions was a central element of his reform proposals. The European Union trusted that, when ICSC reverted to the issue, it would take account of all relevant factors, including the continuous nature of many functions within peacekeeping operations; the continuing need to address the high vacancy rates in missions; and the Secretary-General's intention to submit to the General Assembly at its sixty-first session proposals for the introduction of a single United Nations staff contract governed by a single set of staff rules. It also trusted that the Commission's final decision would be comprehensive in nature.

21. **Ms. Udo** (Nigeria) said that it was not clear to her delegation why the Secretariat had made its request in an oral statement, rather than in a corrigendum to document A/60/698.

22. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee had been informed of the Secretariat's request in writing, in a letter dated 11 May 2006.

Agenda item 136: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*) (A/60/681 and Corr.1 and Add.1, A/60/682, A/60/699, A/60/700, A/60/711, A/60/713, A/60/715, A/60/717, A/60/720 and Add.1, A/60/727, A/60/787, A/60/807 and A/60/856)

23. **Mr. Wallace** (United States of America) said that his delegation took the recent allegations of irregularities in peacekeeping-related procurement seriously. It believed that the Secretariat had acted responsibly in seeking to gather all the relevant facts. In particular, the Secretary-General's decision to obtain independent, external expertise to assist in the timely

collection and analysis of data had been prudent and would help to ensure an objective assessment of the situation. As the chief administrative officer of the United Nations, the Secretary-General had the authority, and indeed a responsibility, to act decisively when confronted with possible instances of fraud, waste and mismanagement; he did not need the General Assembly's authorization to seek expert help.

24. There was a critical need to pursue accountability in such cases. It was therefore regrettable that some delegations had chosen to question the motives for the Secretary-General's decision and to launch personal attacks. Until the fact-finding had been completed, delegations should refrain from making statements that prejudged its outcome and served only to divert attention from the Committee's primary objective, which was to ensure that the United Nations carried out its mandates efficiently, effectively and transparently. He requested the Secretariat to submit in a formal meeting of the Committee written responses to the comments made by delegations on the matter.

25. **Mr. Elnaggar** (Egypt) said that the Secretariat should also explain why the forensic audit of procurement activities commissioned by the Administration had been cancelled. It would be helpful to know when the audit had been commissioned and by whom. Detailed information should be provided so that the Committee could have a frank discussion on the accountability of all staff members at all levels.

26. **Mr. Aljunied** (Singapore) said that, even if the Secretary-General did indeed have the authority to engage external consultants, he should surely have submitted their findings to the Committee for discussion, particularly since the consultants, Deloitte Consulting LLP, had been paid approximately half a million dollars from Members States' assessed contributions. The findings had instead been presented in an informal briefing, which not all Member States had been able to attend. The Secretariat should explain how the consultants had been selected and, in particular, whether there had been a transparent and competitive bidding process.

27. **The Chairman** said that the Secretariat had taken note of the questions raised. The Committee would revert to the matter at its next formal meeting.

The meeting rose at 10.50 a.m.